

Economic Issues Around Music Radio

(particularly FM)

Tim Pozar Interview

7/7/95

1. Advertisements

Average Length of AD

- several units: 10-15-30-60 second spots (aka spot links).
- 30 & 60 second spots normally

Range of Advertisement Cost

- A sponsor pays the same amount no matter what the length is. (not sure about this- dw)
- All spot lengths are considered a unit.
- Tim's station usually quotes a 60 second unit. During drive time (when people are commuting to work) rates are \$400/60 sec. spot.
- Rates are also determined per impression breakdown.
 - 1 impression = 1 person who heard a spot once
 - 1000 impressions = 1000 people who heard a spot once
 - 2000 impressions = 2000 people who heard a spot once
= 1000 people who heard a spot twice
- Need to determine how rates are broken down by impressions
- Rates fluctuate by demand. In November and December there is a high demand and rates go up. These spots are usually sold out several months ahead of time. By the beginning of the year (January/February) there is an excess of spots to sell and the rates go down. At the end of the year usually spots are sold out several months ahead of time.

How Many Minutes Per Hour are Advertisements

- Depends on format, time of day and other factors
- ie. an adult format can be anywhere from 8-12 units/hour to 14-16 units /hour (a top 40 or modern rock station)

Airtime Breakdown (Ie. Ads, News, Music)

- Depends on format, time of day and type of audience. A classical station will have minimum news (maybe only business news) every two hours. KCBS has solid news. KFOG will have 10 min./hour of just news then during the day only weather and traffic updates.
- Another format is Zoo format. Zoo is targeted demographically to a usually male audience between the ages of 18-34. An Abbot and Castello routine with two DJ's talking most of the time, occasionally interspersed with music.

2. Music

Royalty Cost to Play a Song

- Depends on the size of a radio station's gross income
- Depends on how much a station plays a particular song
- There are three licensing groups
 1. Seacap (sp?) - - mostly religious music
 2. BMI
 3. ASCAP
- Once a year, a licensing group will assign a two-week auditing period unique to each radio station. During this time, they will assess how many times a song(s) are played and what percentages should be paid to the licensing group and how much should be paid to the artist.
- Tim's station averages approx. \$100,000-\$200,000 in royalties per licensing group annually.

Types of Royalty Paid by a Radio Station to Play a Song

- (wasn't clear on the diff. between this and prev. issue to ask Tim--dw)

Method in Determining How Many People Listen to a Particular Station

- There are two rating organizations that determine the size of a radio station's listening audience.
 1. **Arbitron**--use a diary method where they contact 100,000 families and individuals and ask if they are listeners of radio. If so, Arbitron mails them a diary which they maintain for a month, detailing when and what station they tuned into, etc. Arbitron tracks 3 months worth of data by sending diaries to 3 separate groups of 100,000 families and individuals. 3 months data= One book. Arbitron puts out 4 books a year.
 2. **???????**-- This organization makes cold calls to individuals and asks whether they are currently listening to a particular station, etc. This method is less accurate because it excludes car listeners.

3. Business of Radio Stations

How They Are Owned and Operated

- A radio station is owned by an individual or a group. Many people own several stations for diversity.
- When you own a station, you actually own a license or the right to broadcast. If you sell a station, you sell the license. In other words, you sell goodwill and the amount of income you generate from this license.
- Par example, someone selling a license in San Francisco can sell a station for \$15-40 million (\$1 million of the sum representative of the capital hardware, the rest equalling the amount

of income generated or its potential to generate). In smaller communities, a license is worth less, such as \$1 million.

- Usually the license value is 5 times the gross income. Tim's stations KKSF-FM, KDFC-FM, and KDFC-AM gross \$20 million but the license is valued at \$100 million.

Do Franchises Exist in the Industry?

- The industry is currently discussing franchises at this time. Tim wasn't aware of any existing to date.

What is a Typical Staff Level?

- Varies from station to station depending on format and station size.
A small station may have the staff of 1 (owner) who also is DJ or who has volunteers spin records. Many stations are also satellite programmed and computer automated so no staff are needed. A national station could have a staff of 100. Tim's station has a staff of 50, but they do little promotions. If it is a news format or the station does a lot of promotions, the staff requirements are greater.
- See Tim's station's homepage at [<http://www.tbo.com>] for a partial list of their staff breakdown.

4. Recommended Sources and Contacts

Trade Magazines

- Radio World ****highly recom. (tele. 703-998-7600)
- Broadcasting
- Radio & Records
- Billboard

College Textbooks (Primers)

- San Mateo Community College's Broadcasting Course
(call and request list of textbooks)
- West Public Radio, Fort Mason (broadcasting courses would include required textbooks on the production-end of radio/broadcasting)
- Community Public Broadcasters

Greg McVicar

- (Tele. 510-938-2877)
- Background: He has produced many shows, especially for public radio. Greg should be a good reference for more in-depth answers to all the above and can give you background and resources regarding the technical and political nature of getting things on the air.
- Tell him Tim referred you. Tim says "Greg's pretty slick" and recommends getting in touch with him first by e-mail and then following up by telephone.

Other Resources

- Federal Register Online (<http://www.pls.com:8001/his/cfr.html>)
This contains the complete federal regulations on how a station should conduct itself economically and technically. See chapters 47 of CFR (including FCC rules and regulations). Also check out host L. to conduct a search on radio-broadcast and political. For example, you could search all political advertisements (ie. 60 docs.)
- Federal Communications Commission (FCC): check out their home page at [<http://fcc.gov/>].
- University of Indiana's home page: [<http://www.law.indiana.edu/fclj/fclj>.] for the FCC's law journal.
- National Association of Broadcasting

Jazz station

1-6 cuts/CD

⇒ 5K CD's ~~rest~~ "in circulation"

20K CD's "resting"

a song in "heavy rotation" 1-2 times/day
light rotation 1 times/week